

Program A: Administration/Fiscal

Program Authorization: Louisiana Constitution of 1974, Article IV, Section 11; Title 36, chapter 17 of the Louisiana Revised Statutes; Title 22 of the Louisiana Revised Statutes; Act 83 of 1977 (Reorganization Act); Act 477 of 1992 (Reorganization Act); Act 850 of 1984 (Equal Opportunity in Insurance Act); and Act 517 of 1992 (Operations of Louisiana Insurance Guaranty Association with the Department of Insurance); and Act 885 of 1999.

PROGRAM DESCRIPTION

The mission of the Administration/Fiscal Program is to promote effective and efficient administration of resources and functions of the Department of Insurance through proper human resource management, information management, fiscal management including insurance premium tax audit and program evaluation; to serve the public through the dissemination of information and the final distribution of the assets of insurance companies placed in receivership; and to assist small, minority, and disadvantaged agents and agencies to increase their knowledge and participation in the industry.

The goals of the Administrative/Fiscal Program are:

1. Enforce the existing laws and propose new laws that promote the protection of the public related to matters involving insurance.
2. Better meet the needs of the public and improve customer services by increasing efficiency, fairness, consistency, and timeliness in the enforcement of applicable laws and regulations.
3. Maintain and expand the knowledge of staff and the technological infrastructure to respond to current and future consumer and industry needs.

The Administration/Fiscal Program is organizationally comprised of three offices: Office of the Commissioner, Office of Management and Finance, and Office of Receivership.

The Office of the Commissioner must fulfill the duties of administering and enforcing the provisions of the Louisiana Insurance Code (Title 22 of the Louisiana Revised Statutes of 1950, as amended), by providing management oversight and administrative support to the programs making up the Department of Insurance. This includes internal audits of those programs and setting policies and procedures in order to help and protect policyholders and beneficiaries in Louisiana. The office provides a liaison function with the Louisiana Insurance Guaranty Association and works to inform the public in matters related to insurance. The office reviews fraudulent insurance claims referred by insurance companies, consumers, and other divisions of the department for referral to the Louisiana Department of Justice or other appropriate state or federal law enforcement agencies. Also, the office is responsible for conducting investigations and background checks on all applicants desiring to transact the business of insurance in Louisiana. Further, this office assists minorities by establishing educational and informational services to foster a greater awareness of opportunities available in the insurance industry.

The Office of Management and Finance administers the following areas: revenue collection and auditing, including premium taxes, assessments, fees, and penalties; human resource management; management of information systems; management of fiscal resources; administrative services (including mail and messenger services, purchasing, professional services contracts, and inventory/property control); fiscal affairs, including payroll, purchasing, accounts payable, appropriations, and financial reporting. The department is the fourth largest revenue collector in the state.

The Office of Receivership provides effective and efficient management of insurance companies placed in receivership to assure that company assets and liabilities are accounted for in accordance with all applicable laws, rules, and regulations.

OBJECTIVES AND PERFORMANCE INDICATORS

Unless otherwise indicated, all objectives are to be accomplished during or by the end of FY 2000-2001. Performance indicators are made up of two parts: name and value. The indicator name describes what is being measured. The indicator value is the numeric value or level achieved within a given measurement period. For budgeting purposes, performance indicator values are shown for the prior fiscal year, the current fiscal year, and alternative funding scenarios (continuation budget level and Executive Budget recommendation level) for the ensuing fiscal year (the fiscal year of the budget document).

The objectives and performance indicators that appear below are associated with program funding in the Base Executive Budget for FY 2000-01. Specific information on program funding is presented in the financial sections that follow performance tables.

1. (KEY) Through the Office of the Commissioner, to retain accreditation by the National Association of Insurance Commissioners (NAIC).

Strategic Link: This operational objective is related to the department's strategic mission, philosophy, and goals.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage of accreditation of department by NAIC retained	Not applicable ¹	100%	100%	100%	100%	100%

¹ This performance indicator did not appear under Act 19 of 1998 and did not have a FY 1998-99 performance standard. Prior to FY 1998-99, NAIC accreditation was reported using a non-numeric performance value. The non-numeric indicator was replaced by a numeric indicator in FY 1999-00 so that performance could be tracked and reported through the Louisiana Performance Accountability System.

2. (KEY) Through the Division of Legal Services, to represent the department in hearings.

Strategic Link: This operational objective is related to the program's Strategic Objective II.4: *To develop a written procedure within the legal services division to identify routine violations of Title 22 and provide standard forms to use within FY 2000-01.*

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Number of hearings in which department must be represented	450	330 ¹	300 ¹	300 ¹	300	300
K	Number of hearings resulting in regulatory action ²	Not applicable ³	220	150 ⁴	150 ⁴	150	150
S	Number of cease and desist orders issued ⁵	30	17	12	12	12	12

¹ The department's FY 1998-99 Fourth Quarter Performance Progress Report reported a yearend actual of 146 in error. The correct FY 1998-99 actual for this indicator is 330. Although the FY 1999-00 performance standard for this indicator is 300, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates a yearend total of 267.

² A hearing may or may not result in a regulatory action. Multiple regulatory actions may result from one hearing, or a hearing may be continued to a later date.

³ This performance indicator was new for FY 1999-00. It did not appear under Act 19 of 1998 and does not have a FY 1998-99 performance standard.

⁴ Although the FY 1999-00 performance standard for this indicator is 150, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates a yearend total of 248.

⁵ A cease and desist order may result from a hearing or independent of a hearing.

3. (SUPPORTING) Through the Division of Legal Services, to promulgate rules and regulations within 9 months and issue requested internal legal and policy opinions within 4 weeks.

Strategic Link: This operational objective is related to Strategic Objective I.3: *To recommend revisions to Title 22 and all department rules, regulations and opinions by June 30, 2003.*

Explanatory Note: The drafting of internal legal and policy opinions on issues not addressed (or addressed vaguely) in Title 22 (Insurance Code) requires extensive interaction with the affected divisions within the department and sometimes requires industry input. Once the assigned attorney drafts the opinion, the opinion still must be reviewed by executive counsel, who may make comments and/or corrections to the draft prior to its issuance. All of these steps revolve around staff schedules, holidays, vacations, illnesses, and the complexity of each issue. The department's legal division strives to accomplish a four-week issuance time for opinions but cannot always control the factors involved in the legal and policy opinion process.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
S	Average length of time to issue internal legal and policy opinions (in weeks)	6	6	4 ¹	4 ¹	4	4
S	Average length of time to promulgate department rules and regulations (in months)	9	6	9	9	9	9
S	Number of internal legal and policy opinions requested	6	16	6 ²	6 ²	24	24
S	Number of internal legal and policy opinions issued	6	9	6 ²	6 ²	24	24
S	Number of department rules and regulations promulgated	5	4	5 ³	5 ³	5	5

¹ Although the FY 1999-00 performance standard for this indicator is 4 weeks, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates a yearend figure of 6 weeks.

² Although the FY 1999-00 performance standard for this indicator is 6, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates a yearend total of 24.

³ Although the FY 1999-00 performance standard for this indicator is 5, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates a yearend total of 6.

4. (SUPPORTING) Through the Division of Public Affairs, to respond within 3 business days to all (100%) requests for public information.

Strategic Link: This operational objective is related to Strategic Objective II.7: *To respond to 100% of the inquiries from the public and the media within three (3) business days of the receipt of the request.*

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
S	Percentage of information requests answered within 3 business days	Not applicable ¹	100%	100%	100%	100%	100%

¹ This performance indicator was new for FY 1999-00. It did not appear under Act 19 of 1998 and has no FY 1998-99 performance standard.

For information on outputs of this activity, see the General Performance Information table below.

GENERAL PERFORMANCE INFORMATION: DIVISION OF PUBLIC AFFAIRS		
PERFORMANCE INDICATOR NAME	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99
Number of telephone calls involved in responding to media requests	2,628	3,592
Number of press releases prepared and distributed	71	142
Number of consumer publications distributed	59,787	71,980

5. (SUPPORTING) Through the Internal Audit Division, to identify the adequacy or weaknesses of the department's internal control processes through scheduled internal audits.

Strategic Link: This operational objective is related to the program's Strategic Objective II.5: *To verify the adequacy and/or identify weaknesses in the internal control process of the department on an annual basis.*

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
S	Number of internal audits performed ¹	Not applicable ²	8 ³	8 ⁴	8 ⁴	8	8
S	Number of repeat internal audit findings ⁵	0	0	0	0	0	0
S	Percentage of internal audit recommendations adopted ⁶	Not applicable ²	100%	100%	100%	100%	100%

¹ The department has made a risk assessment that will be the guide for future internal audit scheduling and will require the Internal Audit Division to provide an estimate of time for completion of each scheduled audit so that the internal audits can be performed on the basis of risk priority. Estimates of time necessary to perform each audit will allow the department to set more accurate targets for this division's performance indicators.

² This performance indicator did not appear under Act 19 of 1998 and did not have a FY 1998-99 performance standard.

³ Although the number of department offices or divisions to be audited per schedule was 7 in FY 1998-99, 8 internal audits were performed.

⁴ Although the FY 1999-00 performance standard for this indicator is 8, the department indicates in its First and Second Quarter Performance Progress Reports that it currently anticipates the yearend figure to be 5. As a result of the recent risk assessment, the audit schedule may be changed.

⁵ This performance indicator previously was titled "Number of audit findings in prior audits." The name has been revised for clarity. However, there is no change in what the indicator measures or how that measurement is made.

⁶ This performance indicator previously was titled "Number of audit recommendations adopted" The name has been revised for clarity. However, there is no change in what the indicator measures or how that measurement is made.

6. (KEY) Through the Internal Audit Division, to assure that audit findings reported by the legislative auditor are not repeated.

Strategic Link: This operational objective is related to the program's Strategic Objective II.6: *No repeat findings from previous year's audit in annual Legislative Auditor's reports.*

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Number of repeat findings in the legislative auditor's report	Not applicable ¹	0	0 ²	0 ²	0	0

¹ This performance indicator was new for FY 1999-00. It did not appear under Act 19 of 1998 and has no FY 1998-99 performance standard.

² Although the FY 1999-00 performance standard for this indicator is 0, the department indicates that it has received one repeat audit finding in FY 1999-00.

7. (KEY) Through the Office of Management and Finance, Fiscal Affairs Division, to collect revenue due the department and state and deposit the revenue within 48 hours.

Strategic Link: This operational objective is related to the program's Strategic Objective II.1 (*Revenue received from insurance premium taxes, fees, penalties and assessments are receipted and deposited within 48 hours.*); Strategic Objective II.2 (*Each year to monitor tax collections for timeliness and take appropriate regulatory action as necessary.*); and Strategic Objective III.3 (*To collect 100% of the fees and assessments due to the Department of Insurance and the State of Louisiana annually.*).

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
S	Amount of premium taxes collected (in \$ millions)	\$139.8	\$112.08	\$95.8 ¹	\$95.8 ¹	\$112.1	\$112.1
K	Tax collections as percentage of taxable premiums	1.637%	1.250%	1.04% ²	1.04% ²	1.24%	1.24%
S	Number of desk audits for tax purposes ³	1,765	1,741	1,789	1,789	1,789	1,789
S	Percentage of broker field audits for tax purposes conducted per year	Not applicable ⁴	Not available ⁵	20% ⁶	20% ⁶	15% ⁵	15% ⁵
S	Number of Surplus Lines Broker field audits for tax purposes conducted ⁷	30	31	40 ⁸	40 ⁸	30	30
K	Additional taxes and penalties assessed as a result of audit (in \$ millions)	\$0.478	\$1.503	\$0.505	\$0.505	\$0.505	\$0.505
K	Louisiana Insurance Rating Commission assessment collection as a percentage of assessable premiums	0.9314%	0.9300%	0.9493%	0.9493%	0.9219%	0.9219%
S	Total fees collected (in \$ millions)	Not applicable ⁴	\$15.9	\$13.6 ⁹	\$13.6 ⁹	\$9.8	\$9.8
K	Total amount of revenues (taxes, assessments, fees and miscellaneous) collected (in \$ millions)	\$189.4	\$168.8	\$150.9 ¹⁰	\$150.9 ¹⁰	\$164.2	\$164.2
K	Percentage of revenue deposited within 48 hours	Not applicable ⁴	100%	100%	100%	100%	100%

¹ Although the FY 1999-00 performance standard for this indicator is \$95.8 million, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates the yearend figure to be \$112.2 million.

- ² Although the FY 1999-00 performance standard for this indicator is 1.04%, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates the yearend figure to be 1.24%.
- ³ Desk audits are performed on virtually all tax returns filed each year, resulting in additional taxes and/or penalties; or credits toward the next quarter's or year's taxes; or in rare cases, refunds.
- ⁴ This performance indicator was new for FY 1999-00. It did not appear under Act 19 of 1998 and has no FY 1998-99 performance standard.
- ⁵ Performance information for this indicator was not tracked in FY 1998-99.
- ⁶ Although the FY 1999-00 performance standard for this indicator is 20%, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates the yearend figure to be 15%. There are approximately 200 surplus lines brokers and the tax unit expects to examine/audit 15% or 30 of them per year.
- ⁷ A surplus line broker is a person who solicits, negotiates, or procures a policy of insurance with an approved, unauthorized insurance company (surplus lines company) when insurance cannot be procured from insurers licensed to do business in Louisiana.
- ⁸ Although the FY 1999-00 performance standard for this indicator is 40, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates the yearend figure to be 30.
- ⁹ Although the FY 1999-00 performance standard for this indicator is \$13.6 million, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates the yearend figure to be \$17.9 million.
- ¹⁰ Although the FY 1999-00 performance standard for this indicator is \$150.9 million, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates the yearend figure to be \$159.7 million.

For historical (prior year actual) information relating to this activity, see the General Performance Information that follows.

GENERAL PERFORMANCE INFORMATION: REVENUE COLLECTION

PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1994-95	PRIOR YEAR ACTUAL FY 1995-96	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99
Number of different tax types collected	9	9	9	9	9
Number of different fees and assessments collected	34	34	33	40	38
Taxable premiums (in \$ billions)	Not available	Not available	\$8.252	\$8.879	\$8.966
Amount of premium taxes collected (in \$ millions)	\$148.5	\$152.98	\$139.8	\$111.6	\$112.08
Tax collections as percentage of taxable premiums	1.89%	1.80%	1.694%	1.257%	1.250%
Additional taxes and penalties assessed as a result of audit (in \$ millions)	Not available	\$0.240	\$1.506	\$1.104	\$1.503
Total assessable premiums for Louisiana Insurance Rating Commission (LIRC) assessment (in \$ billions)	\$4.132	\$4.235	\$3.996	\$4.36	\$4.42
Total amount of LIRC assessment collected (in \$ millions)	\$30.2	\$32.6	\$37.6	\$38.8	\$40.8
LIRC assessment collection as a percentage of assessable premiums	0.730%	0.770%	0.9403%	0.9314%	0.9300%
Total fees collected (in \$ millions)	\$6.0	\$6.4	\$11.9	\$14.8	\$15.9
Total amount of revenues (taxes, assessments, fees and miscellaneous) collected (in \$ millions)	\$184.7	\$191.9	\$189.8	\$165.2	\$168.8

8. (SUPPORTING) Through the Information Systems Division, to develop and implement an effective integrated information system, with 50% of operation and maintenance of the system/network and major databases performed by in-house staff and 80% of computer-related problems resolved within 2 business days.

Strategic Link: This operational objective is related to the program's revised Strategic Objective III.1: *Develop and implement an effective integrated information system and increase the percentage of the operation and maintenance of the system/network and major databases that is done by staff while decreasing the performance of those functions by contract personnel.*

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
S	Percentage completion of integrated information system	Not applicable ¹	Not available ¹	Not applicable ¹	Not available ¹	85%	85%
S	Percentage availability of integrated information system to system users ²	Not applicable ¹	Not available ¹	Not applicable ¹	Not available ¹	20%	20%
S	Percentage of system operation and maintenance performed by in-house staff	Not applicable ¹	Not available ¹	Not applicable ¹	Not available ¹	50%	50%
S	Number of service request forms received	Not applicable ³	1,858	2,065 ⁴	2,065 ⁴	2,065	2,065
S	Number of service requests satisfactorily resolved within 2 business days	Not applicable ³	1,412	1,652 ⁵	1,652 ⁵	1,652	1,652
S	Percentage of service requests satisfactorily resolved within 2 business days	Not applicable ⁶	76%	Not applicable ⁶	80% ⁷	80%	80%

¹ This is a new performance indicator. It did not appear under Act 19 of 1998 or Act 10 of 1999 and does not have performance standards for FY 1998-99 or FY 1999-00. Neither FY 1998-99 prior year performance information nor an estimate of FY 1999-00 yearend performance was provided by the department.

² This indicator is a measurement of the percentage of business hours that the information system is available (up and running) to system users.

³ This performance indicator was new for FY 1999-00. It did not appear under Act 19 of 1998 and does not have a FY 1998-99 performance standard.

⁴ Although the FY 1999-00 performance standard for this indicator is 2,065, the department indicated in its FY 1999-00 First Quarter and Second Performance Progress Reports that it currently anticipates the yearend total for this indicator to be 2,245.

⁵ Although the FY 1999-00 performance standard for this indicator is 1,652, the department indicated in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates the yearend total to be 2,245. This would translate to the satisfactory fulfillment of 100% of service requests during FY 1999-00.

⁶ This is a new performance indicator. It did not appear under Act 19 of 1998 or Act 10 of 1999 and does not have performance standards for FY 1998-99 or FY 1999-00. The value shown for existing performance standard is an estimate not a standard.

⁷ This is a new performance indicator. It did not appear under Act 19 of 1998 or Act 10 of 1999 and does not have performance standards for FY 1998-99 or FY 1999-00. The value shown for existing performance standard is not a performance standard but is calculated by comparing the performance standards for number of service request forms received and number of service requests satisfactorily fulfilled within 2 business days. However, as shown in the preceding footnotes, despite the FY 1999-00 performance standards for the number of service request forms received and the number of service requests satisfactorily fulfilled in 2 business days, the department's current yearend projections point to the satisfactory fulfillment of 100% of service requests in 2 business days during FY 1999-00.

9. (KEY) Through the Office of Receivership, and with the approval of the court, to continue to bring to closure and distribute the assets of the estates that are currently in receivership.

Strategic Link: This operational objective relates to the program's Strategic Objective I.1 (*By June 30, 2001, bring to closure by approval of the courts, 100% of the estates that are currently in receivership.*) and Strategic Objective I.2 (*Bring to closure 100% of those estates that are moved into receivership within a four-year period.*).

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Number of companies brought to final closure ¹	10	12	13	13	6 ²	6 ²
K	Total recovery from assets of liquidated companies ³	\$12,744,470	\$12,402,684	\$32,952,474 ⁴	\$32,952,474 ⁴	\$13,604,804 ²	\$13,604,804 ²

¹ Prior to FY 1999-00, this indicator was titled "Number of companies liquidated (closed during fiscal year)". The new indicator name is more accurate.

² As of December 31, 1999, three companies have been closed in FY 1999-00. The department expects to close six for the fiscal year, which will leave 14 companies/estates open. Of those, the department hopes to close six in FY 2000-01 and anticipates the liquidated assets to as shown above. Court delays, which are beyond the control of the department, have slowed closures.

³ Liquidation is the standing of a company when, upon court order, a receiver is charged with the duty of securing, marshaling, and distributing all assets of the estate of the failed company. In addition, the court-appointed receiver is responsible for evaluating the claims of all insured claimants and other interested parties and eventually distributing the available assets as set forth in Louisiana statutes and as approved by the courts.

⁴ Although the FY 1999-00 performance standard for this indicator is \$32,952,474, the department indicated in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates the yearend figure to be \$24,270,316.

GENERAL PERFORMANCE INFORMATION: COMPANIES IN RECEIVERSHIP

PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1994-95	PRIOR YEAR ACTUAL FY 1995-96	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99
Number of companies in some form of receivership (at beginning of fiscal year)	68	44	46	32	28
Number of companies brought to final closure	Not available	18	12	2	10
Total recovery from assets of liquidated companies	Not available	Not available	\$4,065,514	\$804,040	\$12,744,470

10. (KEY) Through the Division of Minority Affairs, to increase the number of small/disadvantaged/minority agents obtaining contracts with standard companies through the key agent concept.

Strategic Link: This operational objective is related to the program's Strategic Objective IV.5: *Annually increase the number of small/disadvantaged/minority agents obtaining contract with standard companies by promoting the Key Agent concept and providing the minority agents with the necessary knowledge, training, and skills to upgrade and expand their business.*

Explanatory Note: The Division of Minority Affairs is expanding its scope to assist all minorities, women, and disadvantaged persons participating in the insurance industry in Louisiana to the end that agents falling into one or more of those categories can have access to solid companies selling coverage at competitive rates. The key agent concept is a plan to further that goal. Key Independent Agency, Inc., is a group of small/disadvantaged/minority agents trying to increase the number of standard markets (companies using standardized terms and conditions in their policies and rating a risk up or down from standard rates) to which they have access. Currently this group has access to four companies, but the goal is to have access to ten standard companies. The number of key agents active in Louisiana must also be increased in order to meet the goal of increasing the number of standard companies to which they have access; an agent/agency must write a certain volume of business in order to obtain an appointment from a standard company. Having access to a company means that the agent can sell insurance to consumers for that company. The agent, not the consumer, is the one who must have access to the market/company.

Explanatory Note: The Division of Minority Affairs was transferred from Program B: Market Compliance to Program A: Administrative/Fiscal in FY 1999-00. The Division was formerly entitled "Office of Minority Affairs" but was renamed by Act 885 of 1999.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Number of new key agency directors and sub-agents working with Key Independent Agency, Inc.	Not applicable ¹	15	35 ²	35 ²	25	25
K	Number of standard companies to which small, disadvantaged, and minority agents have access	Not applicable ³	4	Not applicable ³	4	8	8
S	Number of educational/training sessions provided for small/disadvantaged/minority insurance agents and agencies	55	196	200 ⁴	200 ⁴	300	300

¹ This performance indicator was new for FY 1999-00. It did not appear under Act 19 of 1998 and does not have a FY 1998-99 performance standard.

- ² Although the FY 1999-00 performance standard for this indicator is 35, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates a yearend total of 25.
- ³ This is a new performance indicator. It did not appear under Act 19 of 1998 or Act 10 of 1999 and does not have performance standards for FY 1998-99 or FY 1999-00. The value shown for existing performance standard is an estimate not a standard.
- ⁴ Although the FY 1999-00 performance standard for this indicator is 200, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates a yearend total of 60. This lowered expectation is due to the inability of the department to fill vacancies in this office. The department indicates that without clerical support or another staff person, it is impossible to handle all of the travel, meetings and telephone calls dealing with the key agency program, educational/training programs and minorities who call in seeking help with a variety of problems and situations related to insurance.

11. (KEY) Through the Fraud Division, to investigate incidences of suspected fraud and perform background checks.

Strategic Link: This operational objective is related to Strategic Objective I.4: *By June 30, 2003, reduce insurance fraud by: Working with the insurance fraud units within the Department of Public Safety and Department of Justice to increase public awareness of insurance fraud and encourage consumers to report suspected fraud; effectively investigating instances of alleged insurance fraud reported to the Department of Insurance; making referrals to law enforcement and/or prosecutorial agencies as appropriate; and performing background checks for agent and company licensing divisions of the Department of Insurance.*

Explanatory Note: The Fraud Division was transferred from Program B Market Compliance to Program A Administration/Fiscal in FY 1999-00. Act 1312 of 1999 authorizes the commissioner of insurance to assess a special fee on the direct premiums collected by each licensed insurer. Monies collected are to be allocated to the Department of Insurance, the Louisiana State Police in the Department of Public Safety and Corrections, and the Department of Justice to fund efforts to reduce insurance fraud. As implementation of this effort to reduce insurance fraud progresses, the performance information reported for this activity will be evaluated and may be revised in FY 2000-01.

Explanatory Note: A study by Conning and Company, a research firm specializing in the insurance industry, suggests that the insurance fraud costs to Americans in 1995 was close to \$120 billion, up from \$30 billion in 1990, with the trend expected to continue. The vast majority of fraud cases were in the healthcare field, followed by property & casualty, then life & disability. The fraud types most often discovered are not the most costly types of fraud; for example, 20% of property & casualty fraud discovered, 10% of life and disability fraud discovered, and only about 1% of healthcare fraud discovered. The cost of healthcare fraud is \$95 billion, cost of property and casualty fraud is \$20 billion, and cost of life and disability fraud is \$5 billion.

According to figures from the Coalition Against Insurance Fraud (CAIF), claims fraud in Louisiana totaled an estimated \$2.3 billion in 1995. Relatively few Louisiana agents have had their licenses revoked due to action by the fraud section. Many agents have had licenses suspended, revoked or flagged by other division within the Department of Insurance before being referred to the fraud unit. Many fraud unit investigations involve persons selling insurance without valid agent licenses in force. The majority of actions taken by the fraud unit against agents are criminal referrals.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Number of claims fraud cases received ¹	950	950	1,330 ²	1,330 ²	1,330	1,330
K	Number of claims fraud cases referred to law enforcement agencies	36	26	50 ³	50 ³	50	50
K	Number of agent/company investigations received ⁴	13	131 ⁵	20 ⁶	20 ⁶	20	20

K	Number of agent/company investigations referred to law enforcement agencies	7	108 ⁷	10 ⁸	10 ⁸	10	10
K	Number of background checks performed for agent and company licensing ⁹	1,651	1,514	1,982 ¹⁰	1,982 ¹⁰	1,982	1,982

¹ Reports of suspected/alleged fraud are given a cursory review when received at the Department of Insurance, but a complete investigation may not take place until a later date. As of midyear FY 1999-00, there are approximately 3,000 reports of suspected fraudulent claims on file, most of which have not been fully investigated. Many of these are reported by insurance companies as informational items for entry into the database. Most reports have insufficient information and require additional information from the insurance company submitting the report.

² Although the FY 1999-00 performance standard for this indicator is 1,330, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates a yearend total of 800.

³ Although the FY 1999-00 performance standard for this indicator is 50, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates a yearend total of 24.

⁴ As of midyear FY 1999-00, there are approximately 480 open company/agent investigations. In addition to the open investigations, there are approximately 1,000 property and casualty agents to review for the Louisiana State Police/FBI project. An investigation may take from one day for a simple case to a year or longer for a complicated, involved case. One investigation can and often does branch into other investigations and can lead to multiple referrals to law enforcement; once law enforcement has the case, the Department of Insurance investigator may still be actively involved in assisting with the case.

⁵ This increase is due to a special project the Fraud Division has been working on with the Louisiana State Police/FBI task force, and is an extraordinary situation.

⁶ Although the FY 1999-00 performance standard for this indicator is 20, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates a yearend total of 12.

⁷ The task force involving Department of Insurance, Louisiana State Police, and the Federal Bureau of Investigation enabled more criminal referrals.

⁸ Although the FY 1999-00 performance standard for this indicator is 10, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates a yearend total of 20.

⁹ Background checks take, on average, three days if all required information is provided and there are no problems found. A background check may take much longer than three days, depending upon the number of officers/directors there are in a company and whether any derogatory information is found about one or more of the officers/directors. When necessary information is missing, the fraud unit informs the company licensing division, which then requests the missing information from the company. This can cause delay and extend the time required to complete the background check.

¹⁰ Although the FY 1999-00 performance standard for this indicator is 1,982, the department indicates in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates a yearend total of 1,400.

RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1998-1999	ACT 10 1999- 2000	EXISTING 1999- 2000	CONTINUATION 2000 - 2001	RECOMMENDED 2000 - 2001	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$0	\$0	\$0	\$0	\$0	\$0
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	11,354,691	12,328,448	12,328,448	4,655,635	4,550,060	(7,778,388)
Statutory Dedications	0	0	112,263	96,943	243,922	131,659
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
TOTAL MEANS OF FINANCING	\$11,354,691	\$12,328,448	\$12,440,711	\$4,752,578	\$4,793,982	(\$7,646,729)
EXPENDITURES & REQUEST:						
Salaries	\$1,663,067	\$2,400,701	\$2,255,975	\$2,435,984	\$2,313,776	\$57,801
Other Compensation	128,277	278,177	228,697	228,697	228,697	0
Related Benefits	300,137	480,100	437,836	462,587	473,993	36,157
Total Operating Expenses	1,935,362	658,505	682,238	767,204	736,640	54,402
Professional Services	29,565	76,756	82,256	83,811	82,256	0
Total Other Charges	7,099,025	8,399,909	8,508,589	493,578	678,003	(7,830,586)
Total Acq. & Major Repairs	199,258	34,300	245,120	280,717	280,617	35,497
TOTAL EXPENDITURES AND REQUEST	\$11,354,691	\$12,328,448	\$12,440,711	\$4,752,578	\$4,793,982	(\$7,646,729)
AUTHORIZED FULL-TIME						
EQUIVALENTS: Classified	85	90	95	95	95	0
Unclassified	9	11	11	11	11	0
TOTAL	94	101	106	106	106	0

SOURCE OF FUNDING

This program is funded from Fees and Self-generated Revenues and Statutory Dedications. The fees and self-generated Revenue funds are derived from various fees and licenses authorized by R.S. 22:1078; auditing fees collected from insurance companies audited. The Statutory Dedications are from the Insurance Fraud Investigation Fund from assessments on various insurance policies written in Louisiana. (Per R. S. 39:32B.(8), see table below for a listing of expenditures out of each Statutory Dedicated Fund.)

	ACTUAL 1998-1999	ACT 10 1999- 2000	EXISTING 1999- 2000	CONTINUATION 2000 - 2001	RECOMMENDED 2000 - 2001	RECOMMENDED OVER/(UNDER) EXISTING
Insurance Fraud Investigation Fund	\$0	\$0	\$112,263	\$96,943	\$243,922	\$131,659

ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$0	\$12,328,448	101	ACT 10 FISCAL YEAR 1999-2000
			BA-7 TRANSACTIONS:
\$0	\$112,263	5	BA-7 that provided funding for the Insurance Fraud Unit
\$0	\$12,440,711	106	EXISTING OPERATING BUDGET – December 3, 1999
\$0	\$32,621	0	Annualization of FY 1999-2000 Classified State Employees Merit Increase
\$0	\$62,801	0	Classified State Employees Merit Increases for FY 2000-2001
\$0	\$5,023	0	Risk Management Adjustment
\$0	\$248,217	0	Acquisitions & Major Repairs
\$0	(\$245,120)	0	Non-Recurring Acquisitions & Major Repairs
\$0	\$12,679	0	Legislative Auditor Fees
\$0	\$75	0	UPS Fees
\$0	(\$62,199)	0	Salary Base Adjustment
\$0	(\$103,975)	0	Attrition Adjustment
\$0	\$4,556	0	Civil Service Fees
\$0	\$146,979	0	Other Annualizations - Adjustment for the Insurance Fraud Section established in FY 1999-00
\$0	(\$7,848,625)	0	Other Adjustments - Elimination of funding in accordance with Act 1080 of 1999 that directs the collection and distribution of Bail Bond Premium fees to the Sheriffs of the parishes, previously collected and distributed by the Department
\$0	\$67,110	0	Other Adjustments - Funding adjustment for maintenance contracts for equipment on longer under warranty
\$0	\$32,400	0	Other Adjustments - Adjustment to provide funding for data processing equipment for the new Human Resource System
\$0	(\$4,880)	0	Other Adjustments - Funding adjustment for legal services
\$0	\$5,609	0	Other Adjustments - Adjustment for the Administrative Law Judges Unit
\$0	\$4,793,982	106	TOTAL RECOMMENDED
\$0	\$0	0	LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS
\$0	\$4,793,982	106	BASE EXECUTIVE BUDGET FISCAL YEAR 2000-2001
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL

			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE
\$0	\$4,793,982	106	GRAND TOTAL RECOMMENDED

The total means of financing for this program is recommended at 38.5% of the existing operating budget. It represents 98.2% of the total request (\$4,881,631) for this program. Significant reductions in this Program are attributable elimination of funding in accordance with Act 1080 of 1999 that directs the collection and distribution of Bail Bond Premium fees to the Sheriffs of the parishes, previously collected and distributed by the Department. Other significant adjustments include funding for the Insurance Fraud Investigation Unit as well as the elimination of funding and four other positions within the program.

PROFESSIONAL SERVICES

\$27,300	Computer Consulting
\$12,000	Background checks as required
\$9,000	Business Planning and Reporting
\$4,500	Fraud Assessment Project
\$29,456	Miscellaneous and educational contracts deemed appropriate and necessary to carry out the mission of the Department
\$82,256	TOTAL PROFESSIONAL SERVICES

OTHER CHARGES

\$175,000	Aid to Local Government, Bail Bond Fees
\$120,425	Legislative Auditor fees
\$31,388	Treasury Department fees, Processing Fees, etc.
\$326,813	SUB-TOTAL OTHER CHARGES

Interagency Transfers:

\$12,383	Civil Service Fees
\$696	Comprehensive Public Training Program
\$118,833	Administrative Law Judges
\$126,663	Department of Justice
\$5,309	State Treasurer's Office
\$1,182	Uniform Payroll System
\$28,000	State Police, Background Checks
\$58,124	Capital Complex Security

\$351,190 SUB-TOTAL INTERAGENCY TRANSFERS

\$678,003 TOTAL OTHER CHARGES

ACQUISITIONS AND MAJOR REPAIRS

\$47,442	Replacement of three high mileage vehicles
\$194,580	Replacement of older data processing equipment
\$6,195	Replacement of broken office equipment and furniture
\$32,400	Data Processing equipment for the new Human Resource System
\$280,617	TOTAL ACQUISITIONS AND MAJOR REPAIRS